Canadian International Power Company Limited

providing electric service in Venezuela, Bolivia, El Salvador, Barbados

Annual Report
December 31, 1968

Sound Business Enterprises working for and with the progressive people of Strong Growth Countries

Front Cover: Illuminated by Canadian International Power Company Limited's Maracaibo subsidiary, the five-mile General Rafael Urdaneta bridge across Lake Maracaibo opens up new consumer markets for the power generated at the recently expanded plant (shown at right) in Venezuela's second largest city.

Canadian International Power Company Limited

and Subsidiaries

Venezuela

Empresas Eléctricas Venezolanas, Sociedad Anónima
C.A. Energía Eléctrica de Venezuela (Maracaibo)
La Electricidad de Perijá, C.A.
C.A. Energía Eléctrica de Barquisimeto
C.A. Planta Eléctrica de Carora

Bolivia

Compañía Boliviana de Energía Eléctrica, S.A. — Bolivian Power Company Limited
Empresa de Luz y Fuerza Eléctrica de Oruro

El Salvador

Compañía de Alumbrado Eléctrico de San Salvador

Barbados

The Barbados Light and Power Company Limited

Mexico

Monterey Railway, Light & Power Company
Compañía Territorial Mexi-Cana, S.A.

Canada

International Power Company Limited
Hemisphere Management Services Limited

Canadian International Power Company
Home Office: 276 St. James Street West,
Montreal 126, Que.

1968 Highlights

	1968	1967
Consolidated Net Income	$ 12,544,894	$ 11,753,344
Preferred Stock Dividends	$ 321,298	$ 325,939
Earnings per Common Share	$ 4.21	$ 3.94
Common Stock Dividends	$ 4,414,186	$ 3,712,410
Electric Sales in kilowatt-hours	1,658,190,300	1,503,931,100
Number of Electric Customers	386,200	363,990
Capital and Replacement Expenditures	$ 14,415,413	$ 15,459,573
Installed and Purchased Generating Capacity (kilowatts)	563,417	541,035

All figures in this report in U.S. dollars unless otherwise noted.

The Annual Meeting of Shareholders of Canadian International Power Company Limited will be held on Friday, May 9, 1969, at 10:30 a.m. (Eastern Daylight Saving Time) at the office of the corporation, 276 St. James Street West, Montreal 126, Quebec, Canada.

Ten Year Record

(1959-1968)

New generating, transmission and distribution facilities were installed at a cost of $89,426,526 to supply additional service, and equipment was replaced at a cost of $9,122,580 making total expenditures on new and enlarged facilities of	$98,549,106
Additional minority shares of International Power have been purchased for cash, bringing Canadian International Power holdings to 99.77% at a cost of	758,493
Shares of 6% Preferred Stock, 1956 Series, purchased to December 31, 1965, at a cost of $5,634,850 and balance redeemed on January 5, 1966, for a total cost of	23,513,762
Issue on January 4, 1966, of 350,000 Shares 5.2% Preferred Stock of a par value of Can. $20 per share, less issue expenses, less shares purchased to December 31, 1968	(5,811,213)
Investments in notes and stock of Fiveca S.A. less partial repayments of notes	1,392,539
Investments in notes and stock of Cía. Industrial de Novedades Plásticas y Metálicas, S.A.	3,475,350
Investment in shares of Hemisphere Management Services Limited, a wholly-owned company established to provide management services to the C.I. Power group	46,355
Cash dividends have been paid on the Preferred and Common Stocks of Canadian International Power in total amount of	30,699,656
Total	$152,624,048

	1968	1958
Cash and Bank Deposit Receipts	$21,548,849	$ 9,020,491
Consolidated Operating Revenue	44,255,808	21,328,300
Earnings — for Common Stock	12,223,596	7,165,467
— per share	$4.21	$2.51*

*Pro-forma adjusted for 5-4 Stock split in 1968.

Three new electric properties were acquired: The Barbados Company and the Perijá and Carora Companies in Venezuela. The Demerara Electric Company in British Guiana was sold and the operating properties of the Monterey Railway, Light & Power Company were sold.

To the Shareholders:

The past year was another in the long succession of impressive growth years for your company.

Consolidated earnings on the common stock for 1968 were $12,223,596 or $4.21 per share, as compared with $11,427,405 or $3.94 per common share for 1967, after adjustment for the stock split.

Operating revenues in 1968 amounted to $44,255,808, an increase of 9.3% over the previous year.

Kilowatt-hour sales increased 10.3% from 1,503,931,100 in 1967 to 1,658,190,300 in 1968. The total system, as of December 31, 1968 was serving 386,200 customers, an increase of 6.1% over 1967.

These increases represent in great measure the overall stability and economic progress of the four countries where the company's electric subsidiaries operate. They further reflect the continuous effort of these companies to improve service and to widen markets.

To meet such rising growth needs the capital expenditures for 1968 were $14,415,413 and a capital budget of $16,594,000 has been approved by your Board of Directors for 1969.

Stock Split and Dividend Increase

To broaden the market for the common stock, a five for four split of the no par value shares was sanctioned by the shareholders in June 1968. The annual dividend rate on the new shares was set at $1.60 per share. This is the equivalent of $2.00 per share before the split and compares with $1.80 per share in 1967. It represents the fifth increase in the dividend rate in the past four years.

The regular quarterly dividends payable in Canadian Funds on the 5.2% preferred shares of Canadian International Power, outstanding in 1968, amounted to the equivalent of U.S. $321,298 as against U.S. $325,939 in 1967. During 1968 the company purchased 8,425 shares of preferred stock for retirement through the stock purchase fund at a cost of $126,101.

In August 1968 The United Corporation of New York, the principal shareholder, sold 100,000 shares of Canadian International Power common stock under a registered public offering in the United States. The purpose of this offering was to broaden the marketability of this stock for the benefit of all shareholders. As a result, the number of common stock shareholders rose approximately 33% and activity on the American Stock Exchange, where Canadian International Power has been listed since January 1967, showed a significant increase.

U.S. Interest Equalization Tax

As in preceding years, the U.S. Internal Revenue Service has ruled that Canadian International Power is a less developed country corporation for Interest Equalization Tax purposes during the calendar year 1969.

Accordingly, no Interest Equalization Tax will be imposed for any acquisition of company stock made during 1969 and on or before March 31, 1970.

Management Changes

In view of the increasing complexity of corporate affairs, the Board of Directors has created the office of Vice-Chairman of the Corporation. Mr. Frederic J. Ahern, a Member of the Executive Committee of the Board and formerly a Vice-President, has been appointed to the new office.

Mr. John Kazakoff, Senior Vice-President, became the Executive Vice-President of the company during the year. A graduate electrical engineer with wide experience in Latin America, Mr. Kazakoff has been a member of Canadian International Power's management team for many years, having started with the Bolivian subsidiary as a field engineer in 1938.

Mr. Alexander E. Wilcox, who came with the company in 1950 and since 1951 has been a resident of Venezuela, has been appointed a Vice-President of the parent company. He is President of the Venezuela group of subsidiary companies.

Venezuela, Bolivia, El Salvador, Barbados

An annual report of Canadian International Power would not be complete without some mention of the countries in which our subsidiaries operate. Venezuela, Bolivia, El Salvador and Barbados vary widely in the character of their economic resources. Yet, each in its own way represents a viable economy with strong inherent growth factors. We admire the purposeful way they are going about the business of building a better future for their people. We are proud to have the opportunity to serve them.

Policy for Progress

An international public utility company serving developing nations, owes a serious responsibility to the people it serves. It is the long-established policy of Canadian International Power and its operating subsidiaries to live up to this trust. We make it a point of honour to become involved in the social and economic aspirations of these countries, to help their citizens to help themselves.

This starts, of course, with supplying them with modern electric service at reasonable rates. But it extends to a whole range of public and personal concerns — from participation in local service clubs and area development organizations to vocational training programs with college and technical school scholarships.

All of this has made each individual company a respected member of its local and national community. Further, we offer an opportunity through share ownership to the people of the countries we serve to participate in our own economic growth.

Also, we make every effort to see that our companies are staffed, as completely as their training permits, with the good, hardworking people of these countries.

We sincerely appreciate the good efforts of all of our employees in the operating companies and in our head office and thank them for their fine performance in 1968.

For the Board of Directors,

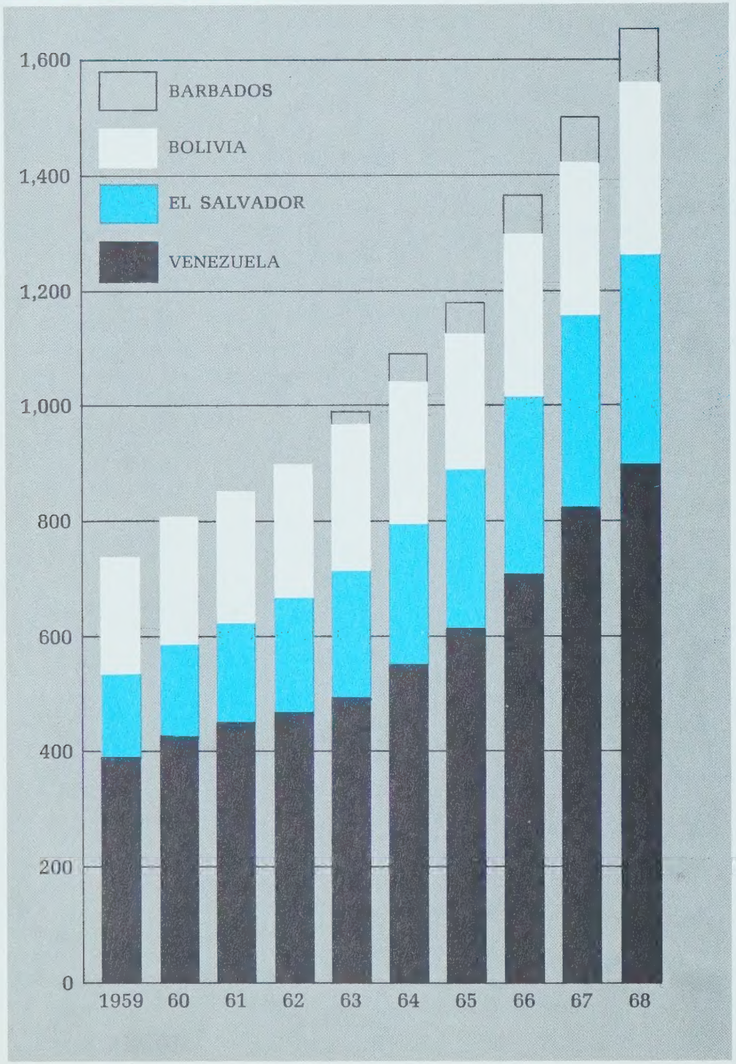
Wm. M. Hickey,
Chairman.

M. G. Taylor,
President.

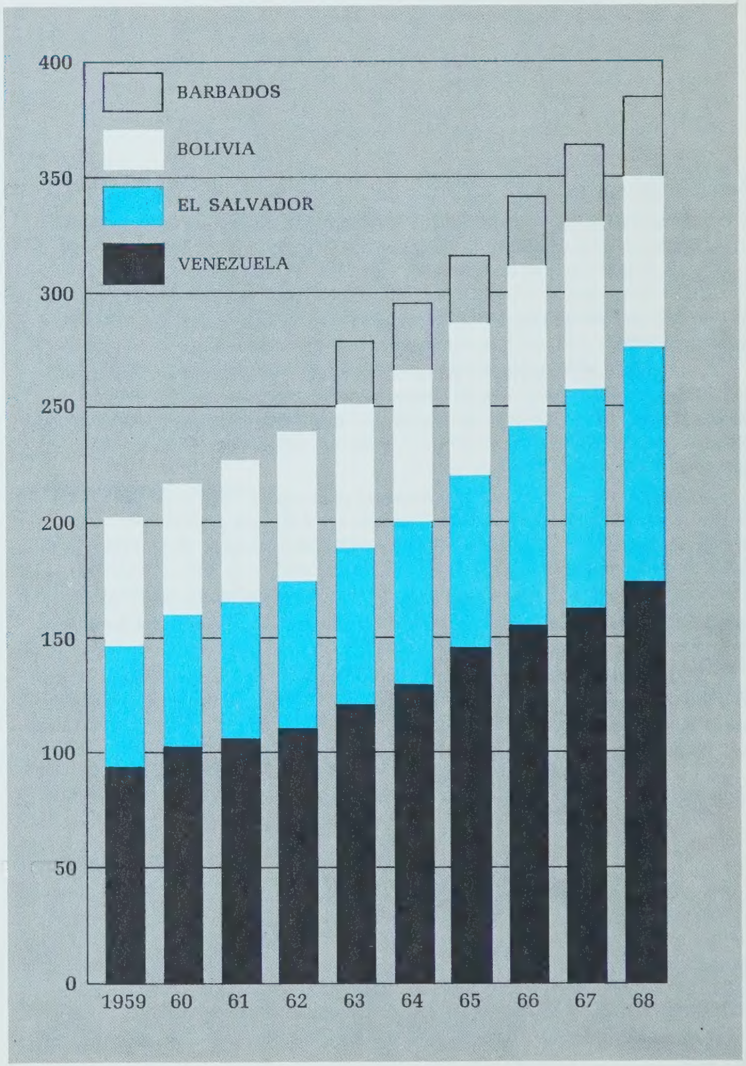
April 11, 1969

Letter to the Shareholders

Sales and Consumer Growth Record (Consolidated Companies) 1959-1968



ELECTRIC ENERGY SALES — MILLIONS OF KILOWATT HOURS



ELECTRIC CUSTOMERS, THOUSANDS, AT DECEMBER 31

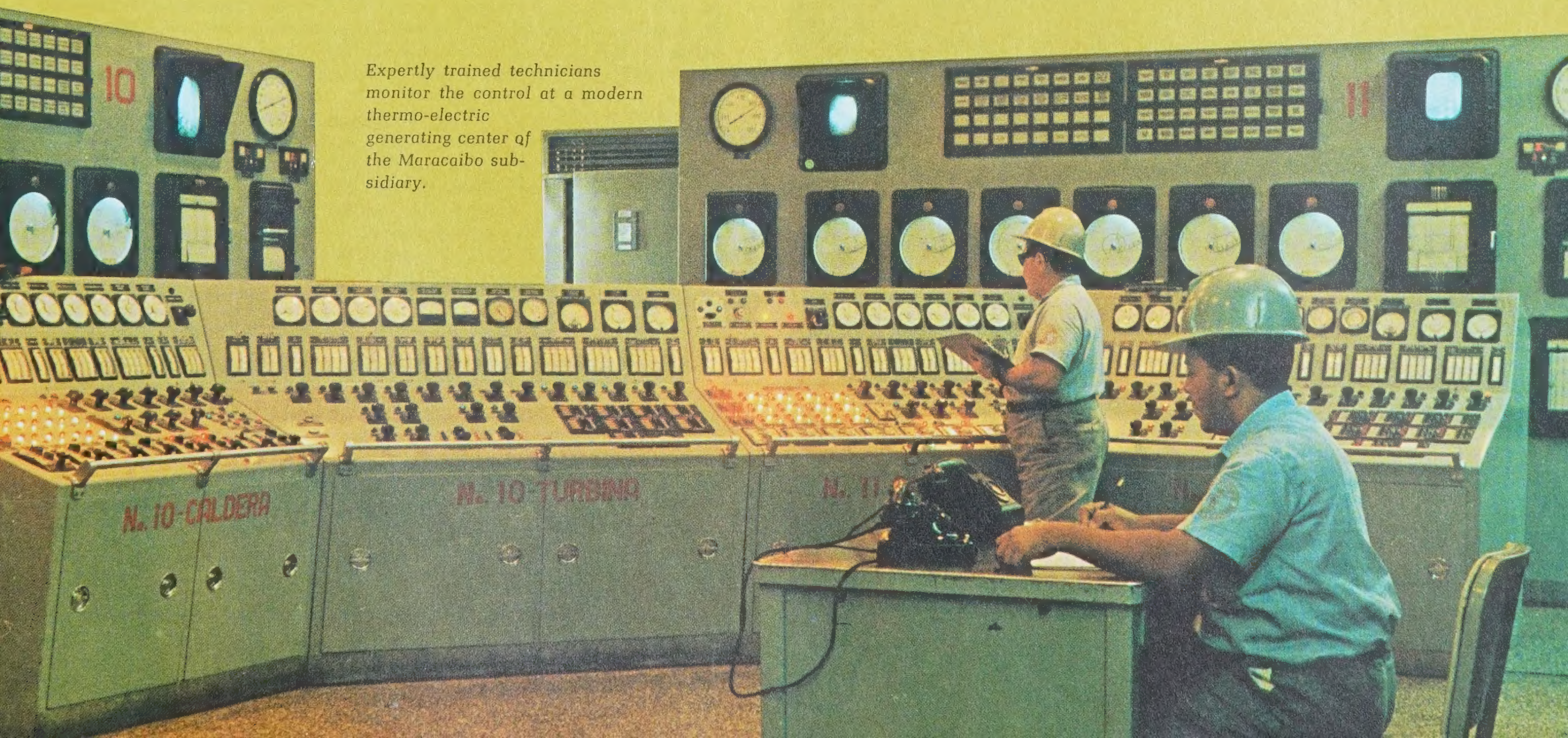
1968 Operations and Capital Expenditures Review

The Venezuela Companies

Canadian International Power operations in Venezuela are carried on through four subsidiary companies. The Maracaibo Company supplies electric service to the second largest Venezuelan city and the surrounding districts, comprising the country's largest oil and gas producing area. In 1969 the city of Maracaibo is celebrating the 400th Anniversary of its founding and the Maracaibo Company, the 80th Anniversary of the inauguration of electric service in the city. The Barquisimeto Company serves the third largest city and the surrounding rural areas. The Perijá Company serves the farm and dairy region, some 80 miles southwest of Maracaibo; the Carora Company, the agricultural area between Maracaibo and Barquisimeto.

All four companies reported appreciable sales increases in 1968: Maracaibo, 9.7%; Barquisimeto, 9.1%; Perijá, 26.5% and Carora, 17.3%. In 1968, the first of a group of four 15,000 kilowatt gas turbines was installed, in the La Concepción plant of the Maracaibo Company; a second is to be commissioned in 1969. Further gas turbine installations for Barquisimeto are under engineering study. Transmission lines and substation systems are also under present expansion. A capital expenditure program of $8,467,000 has been approved for 1969.

In 1968 the Maracaibo Company acquired the electric systems of the towns of Santa Rita and Mene de Mauroa situated on the east side of Lake Maracaibo. Both areas adjoin the site of the projected multimillion dollar petrochemical complex. The company has initiated proposals for power supply both to the established oil companies and to the entities planning petrochemical installations. A power supply contract was signed in July with Venezuelan Sun Oil Company which will operate a gas processing plant near Maracaibo owned by a group of five internationally established companies. The plant will start to take power from the Company's system during 1969.



Expertly trained technicians monitor the control at a modern thermo-electric generating center of the Maracaibo subsidiary.

Recently installed steam boiler at Maracaibo plant.

Radio equipped maintenance unit servicing Maracaibo street lighting system.

A further extension of this plant for the production of ammonia for export is under construction and will take service in 1971. The plant will have a capacity of 1,500 tons per day, becoming one of the largest in the world.

The companies are also exploring the feasibility of interconnecting with other electric systems. The recent inauguration of the large hydro-electric development at Guri in Eastern Venezuela and current progress toward the construction of the Santo Domingo development in the Andes, south of Lake Maracaibo, suggest that such a system interconnection could effect operating economies.

Financing

It is the policy of Canadian International Power to encourage both the development of capital markets in the countries where the subsidiaries operate and local ownership of their securities. The companies' stocks and bonds are registered for trading on the local exchanges in Venezuela. Following the successful sale of bonds initiated in 1967, the Maracaibo Company during 1968 offered a further Bs. 15 million of 10 year, 10% bonds to Venezuelan investors. The issue was completely subscribed. The bonds sell at a small premium. Maracaibo shares have been recently quoted at an 11% premium and the earlier issues of Barquisimeto at a 15% premium.

Marketing

Each Venezuelan company, like all Canadian International Power operating subsidiaries, has a load promotion section. These departments operate in three areas: residential, commercial and industrial or large power sales. In cooperation with appliance dealers and manufacturers, demonstrations of appliances are made to women's groups, as a combined sales and improved public relations effort. Expert engineering assistance is given to commercial and industrial customers to further the efficient and economical use of light and power. The companies engage in radio and newspaper advertising, stressing the economies and comforts of electricity and the quality of the companies' service. While this follows established promotional patterns, long familiar to Canada and the U.S., it is carefully designed to meet local market needs. Such efforts accelerate load increases by strengthening public acceptance of the companies' service.

The Bolivia Company

The Bolivia Company has two divisions. The La Paz Division supplies electric service to the City of La Paz, Seat of Government of the Republic, and the surrounding area. The Oruro Division, located some 120 miles south of La Paz, supplies power to the tin mines, operated in one case by a U.S. mining company and the rest by an agency of the Government. The Oruro Division also supplies a small distribution subsidiary, which serves the City of Oruro, center of one of the world's major tin mining areas.

In 1968, kilowatt-hour sales for the La Paz Division increased 11.6% over the previous year. Oruro Division sales were up 14.0% over 1967. The development of storage on the Tiquimani River, and construction of the canals and tunnels for diverting these waters into the Zongo Valley, was completed on schedule in mid 1968. The 80 mile, 66,000 volt transmission line to the Mina Matilde Corporation zinc mine near Lake Titicaca was completed and energized on December 20. Work is proceeding satisfactorily on the Harca hydro-electric plant, consisting of two units of 13,690 kilowatts each. Commissioning of the first unit is planned for mid 1969, with the second unit scheduled for operation four months later. The Harca plant is the seventh such facility installed in the Zongo Valley. Field surveying for the next plant downstream is well advanced and a general reconnaissance of the hydro-electric potential of the Zongo and surrounding valleys is nearing completion.

The Bolivia Company completed negotiations with the Canadian Export Credits Insurance Corporation for a loan of Can. $2,500,000 for purchases of equipment for the Harca hydro-electric plant and associated facilities. The interest rate on the loan is 6%. The grace period on amortization is three years and the loan is to be repaid in the 12 years following the grace period. Capital expenditures for 1969 include the purchase of land for a new operations center and stores as well as line extensions for the rural areas served by the La Paz Division.

In September 1968, new company statutes were approved by the Government of Bolivia, including a provision which enabled the company to change its name to Compañía Boliviana de Energía Eléctrica S.A. — Bolivian Power Company Limited, creating closer identification with the area it serves.

The Company has arranged a series of visits to its installations by government and educational groups. It has further developed its sales and public relations program, which is similar to the programs successfully operating in other Canadian International Power service areas.

The Salvador Company

The Salvador Company distributes electric power in San Salvador, the capital of El Salvador, and in 130 other municipalities. In 1968 the company distributed approximately 70% of the electric power sold in the country.

In 1968, kilowatt-hour sales increased 8.3% over 1967 sales. In November the company welcomed with appropriate public relations ceremonies its 100,000th customer.

The capital program of the Salvador Company has been temporarily curtailed, pending the development of a more favourable return on the rate base. The major project of the program is the construction of a second substation on the outskirts of the City of San Salvador for taking power from CEL, the Government power authority. This second feed point will meet increased power demands and provide an alternative power source to insure greater continuity of service.

Energy from hydro-electric plants in Bolivia's Zongo Valley, transmitted over mountainous terrain, powers such important new ore producing facilities as the Mina Matilde Corporation zinc mine, near Lake Titicaca.

Mobile substation on duty in new housing development in San Salvador.

Construction crew employs mechanical post hole digger to extend service in Barbados rural area.

The Barbados Company

The Barbados Company, acquired in 1963, serves this important tourist island in the Caribbean off the northeastern coast of Venezuela.

In 1968, sales of energy increased by 17.8% over 1967, with the peak demand reaching an all-time high of 20,350 kilowatts.

To meet the fast growth of this property, two new Mirrlees 4,860 kilowatt generating units have been ordered and will be placed in service during 1969. Expenditures on line extensions and related equipment allow for expanding sales. Two new specialized line construction vehicles were commissioned during the year, enabling work methods to be further modernized. Systematic training of personnel continued, thereby improving standards of work performance and increased awareness of safety procedures.

In line with the increased marketing efforts instituted by Canadian International Power in all of its operating subsidiaries, the commercial department of the Barbados Company was strengthened and expanded. Such load promotion activities have resulted in an increase of 34% in the use of electricity per customer in the past three years.

The Monterey Company

Canadian International Power's Mexican subsidiary, the Monterey Railway, Light & Power Company, sold its utility properties to an agency of the Mexican Government in 1962 and since that time has engaged in long-term investments in Mexican industry.

In 1968, the Monterey Company concluded the purchase of 75% of the outstanding stock of Cía. Industrial de Novedades Plásticas y Metalicas, S.A. (Novedades Plásticas), the largest manufacturer of toys and games in Mexico. Novedades Plásticas has licensing arrangements with many of the leading U.S. toy makers. Investigation of the toy and game industry in Mexico by Canadian International Power and outside consultants indicates highly favourable prospects for Novedades Plásticas. The price paid for Novedades Plásticas was $2,475,350 for 11,250 common shares. The company has also agreed to lend, for general corporate purposes, up to $1,000,000 for a five-year term at 9% net of Mexican taxes. An agreement has been entered into whereby the Company's interest in Novedades Plásticas may be acquired under an option exercisable between 1973 and 1975.

In 1968 a dividend of one year's arrears was paid on the Cumulative Preference Stock of the Monterey Company, the second consecutive year a dividend has been paid. To date, $3,511,084 has been received on account of principal of the sale price of the electrical properties to the Mexican Government. July 1969 will mark the payment of the 15th promissory note of a series of 30 such notes, covering the sale agreement. All notes have been paid with interest on the due dates.

Canadian International Power Company Limited

Financial Statements 1968

Consolidated Balance Sheet as at December 31, 1968

(with comparative figures as at December 31, 1967)

(expressed in United States currency)

Assets

	1968	1967
Property, plant and equipment (note 3):		
Production	$ 92,144,263	$ 86,725,248
Transmission and distribution	93,168,891	85,370,387
Other	11,494,266	10,923,850
	196,807,420	183,019,485
Less accumulated depreciation (note 3)	45,104,267	39,933,040
Net property, plant and equipment	151,703,153	143,086,445
Investments and other assets (note 4)	17,523,939	16,949,256
Current assets:		
Cash	1,167,624	2,994,011
Canadian bank term deposits payable in U.S. dollars	13,780,500	13,959,000
Other term deposits	680,725	812,391
Accounts receivable	9,126,924	8,291,600
Materials and supplies, at cost	4,776,566	5,441,555
Prepaid expenses	414,203	294,394
Total current assets	29,946,542	31,792,951
Deferred charges	709,082	573,606
	$199,882,716	$192,402,258

On behalf of the Board:
Wm. M. Hickey, Director.
M. G. Taylor, Director.

The accompanying notes to the consolidated financial statements are an integral part of this statement.

Liabilities

	1968	1967
Shareholders' equity:		
Capital stock (note 5):		
Preferred stock	$ 6,104,154	$ 6,260,813
Common stock	17,646,448	17,646,448
	23,750,602	23,907,261
Appraisal increment to property, plant and equipment (note 3)	19,973,472	20,201,429
Retained earnings (note 7)	106,319,158	98,462,195
Total shareholders' equity	150,043,232	142,570,885
Minority interest in subsidiary companies	8,017,698	7,544,430
Long-term debt (note 6)	22,318,512	19,955,427
Current liabilities:		
Bank loans	5,006,729	9,201,104
Accounts payable	3,249,048	2,994,857
Customers' deposits, including interest thereon	952,653	849,006
Income taxes payable	3,429,463	2,911,747
Dividends payable	1,240,548	1,019,252
Long-term debt, due within one year (note 6)	1,730,047	1,390,152
Total current liabilities	15,608,488	18,366,118
Provision for contingencies (note 7)	2,657,334	2,657,334
Customers' contributions for line extensions	1,237,452	1,308,064
	$199,882,716	$192,402,258

The accompanying notes to the consolidated financial statements are an integral part of this statement.

Consolidated Statement of Income

for the year ended December 31, 1968
(with comparative figures for the year ended December 31, 1967)
(expressed in United States currency)

	1968	1967
Operating revenue	$44,255,808	$40,492,345
Operating revenue deductions:		
Operating and maintenance expenses	19,646,711	18,182,576
Taxes — income (note 7)	4,678,120	4,094,000
— other	1,289,926	1,201,849
Provision for depreciation (note 3)	5,477,507	4,872,039
	31,092,264	28,350,464
Operating income	13,163,544	12,141,881
Investment income	2,063,108	1,763,891
Gross income	15,226,652	13,905,772
Income deductions:		
Interest expense — long-term debt	1,390,903	879,173
— other	1,070,496	799,274
Interest charged to construction — credit	(291,195)	(130,458)
Minority interest	511,554	604,439
	2,681,758	2,152,428
Net income for the year	$12,544,894	$11,753,344
Earnings per common share	$4.21	$3.94*

*After giving effect to the five-for-four stock split.

The accompanying notes to the consolidated financial statements are an integral part of this statement.

Consolidated Statement of Retained Earnings

for the year ended December 31, 1968
(with comparative figures for the year ended December 31, 1967)
(expressed in United States currency)

	1968	1967
Balance at beginning of year (including amounts segregated as legal reserves in the accounts of subsidiary companies)		
As previously reported	$100,234,713	$ 92,504,554
Adjustments of prior years' income taxes (note 7)	1,772,518	1,772,518
As restated	98,462,195	90,732,036
Add:		
Net income for the year	12,544,894	11,753,344
Excess of proceeds over par value received from sale of capital shares of subsidiary	16,995	—
Discount less expenses on preferred shares purchased	30,558	15,164
	111,054,642	102,500,544
Dividends paid:		
Preferred shares — Can. $1.04 in 1968 and 1967	321,298	325,939
Common shares — $1.52 in 1968 and $1.28 in 1967	4,414,186	3,712,410
	4,735,484	4,038,349
Balance at end of year (including $4,571,000 in 1968 and $4,078,500 in 1967 segregated as legal reserves in the accounts of subsidiary companies)	$106,319,158	$ 98,462,195

The accompanying notes to the consolidated financial statements are an integral part of this statement.

Consolidated Statement of Source and Application of Funds

for the year ended December 31, 1968
(with comparative figures for the year ended December 31, 1967)
(expressed in United States currency)

	1968	1967
Source of funds:		
From operations —		
Net income for the year	$12,544,894	$11,753,344
Provision for depreciation	5,477,507	4,872,039
Interest charged to construction (credit)	(291,195)	(130,458)
Minority interest	511,554	604,439
	18,242,760	17,099,364
Long-term borrowings — net	2,363,085	12,659,396
Common shares issued under the stock option plan	—	68,930
Common shares sold by subsidiary companies to minority interests	265,313	803,822
	20,871,158	30,631,512
Application of funds:		
Additions to property, plant and equipment	14,415,413	15,459,573
Less proceeds from disposals and other items	612,393	1,411,344
	13,803,020	14,048,229
Purchase for cancellation of 5.2% preferred shares	156,659	102,054
Dividends — preferred shares	321,298	325,939
— common shares	4,414,186	3,712,410
Dividends paid to minority shareholders	444,412	290,582
Increase in investments and other assets and deferred charges — net	710,159	5,948,904
Other items	110,203	26,244
	19,959,937	24,454,362
Increase in working capital	911,221	6,177,150
Working capital beginning of year	13,426,833	7,249,683
Working capital end of year	$14,338,054	$13,426,833

The accompanying notes to the consolidated financial statements are an integral part of this statement.

1 — Consolidation

The consolidated financial statements include the accounts of the Company and all its subsidiaries except Cía. Industrial de Novedades Plâsticas y Metálicas S.A. (Novedades Plâsticas). In June 1968, 75% of the outstanding shares of Novedades Plâsticas was purchased for $2,475,350. An agreement has been entered into whereby the Company's interest in Novedades Plâsticas may be acquired under an option exercisable between 1973 and 1975. The Company's interest in the earnings of Novedades Plásticas since acquisition through December 31, 1968, based on interim unaudited financial statements and amounting to $87,000, has not been reflected in the accompanying consolidated financial statements.

A summary of assets and liabilities of the companies by location is as follows:

	Venezuela	Bolivia	El Salvador	Barbados	Mexico	Canada	Total
Property, plant and equipment	$117,549,925	$42,502,010	$18,867,701	$17,589,097	$ 243,945	$ 54,742	$196,807,420
Less accumulated depreciation	29,779,190	7,019,632	4,116,356	4,103,292	55,175	30,622	45,104,267
	87,770,735	35,482,378	14,751,345	13,485,805	188,770	24,120	151,703,153
Investments and other assets and deferred charges	1,638,012	902,878	187,152	315	9,569,051	5,935,613	18,233,021
Current assets	8,275,054	2,102,971	2,321,479	983,806	1,799,916	14,463,316	29,946,542
	97,683,801	38,488,227	17,259,976	14,469,926	11,557,737	20,423,049	199,882,716
Current liabilities	7,318,244	1,134,552	2,023,780	834,710	212,778	4,084,424	15,608,488
Long-term debt	14,805,441	4,656,010	261,666	2,595,395	—	—	22,318,512
Provision for contingencies and customers' contributions for line extensions	1,816,479	310,070	237,771	1,199,681	330,785	—	3,894,786
Minority interest	2,711,046	145,077	1,698,880	2,343,125	1,074,795	44.775	8,017,698
	26.651,210	6,245,709	4,222,097	6,972,911	1,618,358	4,129,199	49,839.484
Net assets	$ 71,032.591	$32,242.518	$13,037,879	$ 7,497,015	$ 9,939,379	$16,293,850	$150,043,232

2 — Translation of foreign currencies

All amounts in currencies other than U.S. dollars have been translated as follows:

Assets and liabilities, except for property, plant and equipment — at the rates of exchange prevailing at the year-end.

Property, plant and equipment —

Venezuela and Barbados — at the rates of exchange prevailing at the dates the appraisal increments were recorded as set out in Note 3. Subsequent additions have been translated at the rates prevailing at acquisition dates.

Bolivia, El Salvador and Mexico — at the rates of exchange prevailing at acquisition dates.

Provisions for depreciation — at the same rates as those used for the translation of the related assets.

Revenue and revenue deductions — at average rates of exchange during the year.

There are no significant restrictions on remittances of earnings from subsidiary companies.

3 — Property, plant and equipment and depreciation

Venezuela —

Based on appraisals by Montreal Engineering Company Limited in 1962 and 1965, properties of three Venezuelan subsidiaries were increased by $18,939,000 and the accumulated provision for depreciation by $2,326,000 to state such properties on a basis of reproduction-cost-new less observed depreciation. Subsequent additions to properties are at cost.

Depreciation for the year represents the application to original plant cost of depreciation rates approved by the Venezuelan Income Tax Administration plus the amortization of the appraisal increment, both on a straight-line basis. Prior to 1968 the policy was not to amortize the appraisal increment until the original plant cost had been fully depreciated.

When depreciable property is retired, the portion of the carrying value represented by original cost less applicable accumulated depreciation is charged to operating revenue deductions and the portion of the carrying value represented by the appraisal increment is charged to accumulated depreciation. Prior to 1968, the policy with respect to original plant cost was as described above, but the policy with respect to the appraisal increment was to charge operating revenue deductions with any unamortized balance. The combined effect on the accompanying consolidated financial statements of these changes in depreciation policy and treatment of retirements was immaterial.

Barbados —

Based on a valuation in 1965 by International Middle West Service Company of Chicago, properties in 1966 were increased by $5,266,000 and the accumulated provision for depreciation by $743,000 to state such properties on a basis of reproduction-cost-new less observed depreciation. Subsequent additions to properties are at cost.

Depreciation rates are applied to the appraised values on a straight-line basis for financial statement purposes.

When depreciable property is retired, the carrying value, net of depreciation, is charged to accumulated depreciation.

The resulting increases from the revaluations of the Venezuelan and Barbados properties (less the portion applicable to minority interests) are shown on the balance sheet as "Appraisal increment to property, plant and equipment". In 1968 the appraisal increment to property, plant and equipment was reduced by $277,957 to reflect an increased minority interest principally as a result of the sale of shares of the Barbados subsidiary.

Bolivia and El Salvador —

Properties of these companies are at cost. Depreciation rates are applied to that cost on a straight-line basis.

When depreciable property is retired, the net book value is charged to accumulated depreciation.

Management is of the opinion that provisions for depreciation for all subsidiaries are adequate on a service life basis. The percentage relationship between the annual provisions for depreciation and the average book value of depreciable property was 2.8% for 1967 and 2.9% for 1968.

4 — Investments and other assets

Investments and notes receivable — at cost:		
Government of Mexico — 6½% promissory notes due semi-annually to January 15, 1977	5,602,512	
Less amounts due within one year	480,000	$ 5,122,512
Fiveca, S.A., Caracas, Venezuela. Shares — 21.6% of share capital		1,073,333
Cía Industrial de Novedades Plásticas y Metálicas, S.A., Mexico (see note 1):		
Shares	2,475,350	
9% Notes due in annual instalments of $200,000 from 1970 to 1973	800,000	3,275,350
Other investments		1,227,501
		10,698,696
Other assets:		
Canadian bank term deposits payable in U.S. dollars (note 6)		5,920,000
Long-term accounts receivable less allowance for doubtful accounts of $100,000		905,243
		$17,523,939

Canadian bank term deposits aggregating $5,920,000 at December 31, 1968 ($7,920,000 at December 31, 1967) have been provided as collateral for the Venezuela 8% notes — see note 6.

Long-term accounts receivable include amounts due from the Bolivian Government and a municipality aggregating $833,452. Negotiations presently being conducted with the Bolivian Government may result in the repayment of these accounts over a period of years. As a result of these negotiations the comparative amounts at December 31, 1967, aggregating $712,990, have been re-classified from current to long-term receivables.

5 — Capital stock

Preferred stock —

Preferred shares of the par value of Can. $20 each, issuable in series, of which 350,000 shares had been designated as 5.2% cumulative redeemable preferred shares, 1965 series —

	1968	1967
Authorized shares	1,977,708	1,986,133
Issued shares	327,708	336,133
Par value	$ 6,104,154	$ 6,260,813

The Company is required to set aside out of the profits each year an amount of not less than Can. $70,000 for the purchase of preferred shares. During the year 8,425 shares, having an aggregate par value of Can. $168,500 (U.S. $156,659), were purchased and cancelled.

The 1965 series are redeemable at the option of the Company at a premium of 4% to December 31, 1969, 3% to December 31, 1971 and 2% thereafter.

Common stock —

Common shares of no par value —

	1968	1967
Authorized shares	3,125,000	2,500,000
Issued shares	2,904,070	2,323,256
Stated value	$17,646,448	$17,646,448

Supplementary Letters Patent were issued on June 27, 1968, effecting an increase in authorized common shares from 2,500,000 to 3,125,000 shares, which action had been approved at a special general meeting of shareholders. At that meeting, the number of common shares issued and outstanding at that date was increased from 2,323,256 shares to 2,904,070 shares to effect a five-for-four stock split.

The Board of Directors, on February 9, 1968, adopted a new Stock Option Plan for officers and key employees of the Company and its subsidiaries which was approved by the shareholders on May 10, 1968. A maximum of 75,000 shares (as adjusted for the five-for-four stock split) are reserved for issue at a price which cannot be less than 100% of fair market value at date of grant.

During the year, options were granted as to 69,375 shares bearing an aggregate option price of $1,634,737, and cancelled, as to 3,750 shares. At December 31, 1968, options were outstanding and exercisable on 65,625 shares having an aggregate option price of $1,547,063, leaving 9,375 shares available for future grants. Details of common shares under option at December 31, 1968 were as follows:

Number of shares	Option price per share	Expiry date of option
17,500	Can. $25.20 (U.S. $23.38)	February 8, 1973
43,125	Can. $25.20 (U.S. $23.38)	February 8, 1978
5,000	Can. $28.13 (U.S. $25.93)	May 8, 1978

6 — Long-term debt

Venezuela —

8% notes due in annual instalments to 1980 (note 4)	$ 5,920,000
10% bonds due in instalments from 1971 to 1978*	7,777,778
6% and 7½% equipment notes due in annual instalments to 1978	1,706,525
7% Bank Loan due in annual instalments to 1975	798,222
	16,202,525

Bolivia —

5½% loan from International Development Association through the Bolivian Government, due in annual instalments to 1989*	4,786,758

El Salvador —

7% and 8% notes due to 1972*	334,495
6% equipment notes due in annual instalments to 1970	45,878
	380,373

Barbados —

Bank loan due in instalments from 1972 to 1976 at the Barbados prime interest rate which at December 31, 1968 was 8%*	1,988,000
5½% and 6¼% equipment notes due in annual instalments to 1977	690,903
	2,678,903
	24,048,559
Less amounts due within one year included in current liabilities	1,730,047
	$22,318,512

*Repayable in the currency of the country.

The aggregate amounts of long-term debt maturing annually after December 31, 1968 are as follows:

Year	Amount
1969	$ 1,730,000
1970	1,407,000
1971	1,489,000
1972	2,603,000
Subsequently	16,820,000
	$24,049,000

7 — Taxes

All of the countries in which the subsidiaries operate, except Barbados, impose withholding taxes upon cash dividends paid to the Company. It is the policy of the Company to charge withholding taxes to income in the year cash dividends are paid. Since it is the intention of the subsidiaries to reinvest a substantial portion of their earnings in new capital assets, no provision has been made for withholding taxes which may be payable if and when undistributed earnings of subsidiaries are paid to the Company as cash dividends.

Subsidiary companies in Venezuela have received assessments aggregating $1,397,900 from the Income Tax Administration in connection with the computation of the investment credits in 1966 and prior years. On January 28, 1969, the Supreme Court of Venezuela rendered decisions against taxpayers in two similar cases. The Company is not in agreement with these decisions and is pressing its appeals to the fullest extent. Nevertheless, provision has been made in the accompanying consolidated financial statements for these assessments and for the assessment of approximately $418,579 of interest thereon. Accordingly, retained earnings at January 1, 1968 and January 1, 1967 have been restated to reflect the Company's portion of this provision amounting to $1,772,518 and the minority interest in subsidiary companies at December 31, 1967 has been reduced by $43,961. These assessments, together with interest thereon aggregating $1,816,479, are included in the Provision for contingencies in the accompanying consolidated balance sheet.

By decrees of the Government of Bolivia, the Bolivian subsidiary is currently exempt from income taxes and withholds a tax at a preferential rate on cash dividends. It is understood that the Bolivian Government is examining the tax position of this subsidiary for 1967 and prior years, which could result in claims for approximately $1,300,000. Management is of the opinion that such claims would be without merit and they would be vigorously opposed.

Income taxes have been reduced by $1,330,000 in 1968 [$1,547,000 in 1967] as a result of credits permitted under income tax laws for investments in property, plant and equipment, principally in Venezuela.

8 — Remuneration of directors and senior officers

The aggregate remuneration of seventeen directors and senior officers of the Company totalled $281,000 (1967 — sixteen directors and senior officers – $239,000).

9 — Other matters

Employees' service and severance indemnities required under the laws of Venezuela and Bolivia are charged to income when paid. The maximum liability in the unexpected event of complete separation of all employees aggregated approximately $3,280,000 at December 31, 1968 [$2,900,000 at December 31, 1967] which if paid would give rise to tax credits of approximately $1,000,000 [$850,000 in 1967].

Effective August 1967, a pension plan, incorporating past service benefits, was established for the employees in El Salvador. Under the terms of the plan, contributions by the employees and the company to the fund are to be used for the payment of pensions or severance indemnities, at the option of the employee. An actuarial valuation of the plan indicated a deficiency with respect to past services benefits of approximately $480,000 at December 31, 1967. The company's contributions will include an amount sufficient to amortize the deficiency over a period of not more than thirty years.

An actuarial valuation of the employees' pension plan of the management services subsidiary in Canada indicates a deficiency with respect to past services of approximately $139,000 at December 31, 1968, which is being funded and charged to operations over a period not exceeding twenty-two years.

Auditors' Report

To the Shareholders of
Canadian International Power Company Limited:

We have examined the consolidated balance sheet of Canadian International Power Company Limited and subsidiary companies as at December 31, 1968 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination of the financial statements of Canadian International Power Company Limited and those subsidiary companies of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of other public accountants with respect to their examination of the financial statements of the remaining subsidiaries, whose assets and operating revenues represent sixteen percent and thirty-one percent of the respective consolidated totals.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the changes in depreciation policy and treatment of retirements explained in note 3 to the notes to consolidated financial statements, which changes we approve.

Arthur Young, Clarkson, Gordon & Co.

Montreal, Canada,
March 17, 1969.

Chartered Accountants

Operating Companies Data

Operating Statistics

	1959	1960	1961
Generating Capacity at December 31 (Installed Kilowatts):			
Hydro	66,250	66,250	66,250
Diesel	23,235	23,235	23,235
Steam	103,500	169,500	169,500
Gas Turbine	20,000	20,000	20,000
	212,985	278,985	278,985
Purchased Kilowatts (under contracts)	32,853	35,613	39,442
	245,838	314,598	318,427
Kilowatt-hours sold (thousands)	736,839	808,456	855,066
Operating Employees at December 31	1,584	1,556	1,456
Number of Electric Customers served at December 31	202,774	217,082	228,153

Financial Statistics (000's)

	1959	1960	1961
Operating Revenue	$ 22,830	$ 25,689	$ 25,730
Operating Expenses and Taxes	11,570	13,921	13,953
Operating Income before Depreciation	11,260	11,768	11,777
Provision for Depreciation and Renewals	2,083	2,388	2,546
Capital and Replacement Expenditures for Property, Plant and Equipment	11,890	7,780	5,070
Fixed Capital Account — Property, Plant and Equipment at December 31	85,956	93,297	94,737

Note: 1959-1962 Combination of U.S. and Can. Dollars.
1963-1968 U.S. Dollars and consolidation of Monterey and Oruro Subsidiary Companies.

1962	1963	1964	1965	1966	1967	1968
66,250	66,250	66,250	66,250	92,735	92,735	92,735
29,115	43,682	49,200	58,903	58,307	72,561	75,805
169,500	174,500	174,500	174,500	240,500	240,500	240,500
20,000	20,000	20,000	33,200	47,600	61,350	76,350
284,865	304,432	309,950	332,853	439,142	467,146	485,390
44,875	48,346	52,785	62,490	66,725	73,889	78,027
329,740	352,778	362,735	395,343	505,867	541,035	563,417
899,910	988,928	1,085,382	1,177,509	1,361,225	1,503,931	1,658,190
1,367	1,770	1,828	1,940	1,995	2,065	2,151
238,524	281,198	294,484	317,580	342,628	363,990	386,200
$ 23,404	$ 25,363	$ 28,167	$ 31,358	$ 36,535	$ 40,492	$ 44,256
13,124	15,383	16,773	18,916	21,601	23,478	25,615
10,280	9,980	11,394	12,442	14,934	17,014	18,641
2,207	2,209	2,816	3,673	4,178	4,872	5,478
4,337	3,300	5,857	14,678	16,829	15,460	14,415
116,220	126,923	132,679	148,233	168,811	183,019	196,807

Canadian International Power Company Limited
shares of common stock
are listed on the
American Stock Exchange in New York;
shares of both preferred and common stock
in the Company
are listed on the Montreal Stock Exchange

1968 Political and Economic Highlights:

Venezuela . . . Bolivia . . . El Salvador . . . Barbados

In the 12 months ended December 31, 1968, the Company's consolidated operating revenues were $44,255,808. Of this amount 57.9% was derived from operations in Venezuela, 11.5% from Bolivia, 22.9% from El Salvador and 7.7% from Barbados. The following pages contain a brief summary of the present political and economic situation in these four developing nations.

Oil derricks operating in Lake Maracaibo, Venezuela.

Venezuela

Venezuela, on the northern coast of South America, is the third largest oil producing country in the world, ranking next after the United States and Russia, and the world's largest oil exporter. Using revenues derived mainly from royalties, income taxes and other fees paid by oil companies, the Venezuela Government is encouraging diversified industrial expansion, improved agricultural production and extended educational facilities.

Late in 1968, Venezuela elected Dr. Rafael Caldera of the Copei Party (Social Christian Democrats) to the Presidency. The campaign was hotly contested and complex issues were vigorously debated with the result that 91% of the eligible voters went to the polls. Leading his party to victory in key states, Dr. Caldera won the Presidency by a narrow majority over the governing party, which had been in power for the past two presidential terms, ten years in all. The extreme leftist group polled only 5% of the popular vote. The transition in the Presidency took place with Dr. Caldera's inauguration on March 11, 1969.

Venezuela national finances continue strong. The exchange rate in relation to the U.S. dollar remained at Bs. 4.50. Reserves in gold, and convertible foreign currency totalled $917 million at the end of December, 1968, compared with $867 million a year earlier. The national budget rose slightly in 1968 and showed a modest deficit which was small in relation to the expenditures for capital account which were included.

Gross National Product continued to increase, rising an estimated 5% over the previous year. Petroleum production for the year averaged more than 3.6 million barrels per day, up 1.7% over the previous year.

The producing companies continue their program of water and gas injection to increase the fields' productivity, and de-sulphurization installations are planned with one such installation already under construction.

The majority of the leading oil companies are located in the area served by the Maracaibo subsidiary of Canadian International Power. Construction has started on a large petrochemical complex on the western shore of Lake Maracaibo a few miles south of the city. It will be operated and financed by a group of Dutch, English and American oil companies with approximately 15% participation by the Venezuela Government. In the near future construction will begin on a more diversified complex for El Tablazo on the northeast

Fluorescent lighting fixtures, powered by the Maracaibo company illuminate a new Venezuela supermarket.

shore of Lake Maracaibo. It will be operated by mixed companies and financed by private and government capital.

In 1968 progress and service industries continued in the Maracaibo industrial zone. Maracaibo is one of the most modern and well developed cities in Latin America. Petroleum and other progressive industries, such as cast iron, chemical products, fertilizer and cement, dominate the Venezuela economy. Approximately a third of the labour force is employed in agriculture, which has increased 40% in volume in the past ten years.

The Canadian International Power subsidiaries serve some of the most important agricultural areas in the country, including the leading cattle and dairy area west and south of Lake Maracaibo, as well as the highly productive sugar cane zone served by the Barquisimeto subsidiary.

Bolivia

Bolivia, a land-locked country in central South America, is a major source of the world supply of tin. New mining and investment codes, enacted by the Government in 1965, have attracted additional investment in tin and other metal mining. Exploitation of recent discoveries of oil and gas is proving to be an important source of revenue for the country. Since 1956, approximately $130,000,000 has been spent by foreign oil companies in the exploration and development of oil and gas reserves.

In 1968 the Gross National Product increased more than 5% over 1967. Tin prices eased to approximately $1.41 per pound in mid-1968, but by the end of February 1969, they had recovered to the $1.65 per pound level. Restoration of the higher price level resulted, in part, from the International Tin Council's 5% reduction in tin exports by the producing nations for the last quarter of 1968.

The Mina Matilde zinc mine on Lake Titicaca will go into production during 1969, powered by the Bolivia Company. A tin refinery, costing approximately $9,000,000, is now under construction near Oruro with an initial capacity of 7,500 and an ultimate capacity of 20,000 tons per year.

Crude oil production in Bolivia rose to 41,000 barrels per day in 1968. Bolivia and Argentina signed an agreement for export of gas to the latter country. The contract covers a 20-year period during which time it is expected to produce $250,000,000 in revenue for Bolivia. Gulf Oil Company and Yacimientos Petroliferos Fiscales Bolivianos, the government petroleum agency, have combined forces to explore the vast altiplano region in search of petroleum prospects.

Early phases of construction on Harca hydro-electric plant, the seventh such installation in the Zongo Valley of the Andes, built by the Bolivian Power Company.

Aerial view of International Trade Fair, held in the city of San Salvador in 1968 to further commercial progress in Latin America.

In La Paz, whose electric light and power is furnished by Canadian International Power's Bolivia Company, a dozen multi-storey buildings are presently under construction and residential construction is progressing at a rapid pace. Such residential construction is supported by a $5,500,000 loan from the Inter-American Development Bank. This loan, combined with a $2,500,000 contribution from the Bolivia Government, will finance construction of 3,500 homes.

A representative of the World Bank recently announced that the bank has programmed loans to Bolivia of between $80,000,000 and $100,000,000 over the next five years. The International Monetary Fund has stated that the Bolivia economy is basically sound and that the Fund has increased its stand-by credit for Bolivia from $18,000,000 to $20,000,000. In order to improve its balance of payments position, Bolivia imposed tight controls on importation of luxury items and on items that can be manufactured in Bolivia.

El Salvador

El Salvador is a small, primarily agricultural nation on the Pacific coast of Central America. Although the smallest republic in the Western Hemisphere, it is the leading trader in the Central American Common Market and the Hemisphere's third largest coffee producer.

Most outstanding event of 1968 was the July visit of President Johnson to the Republic, where he attended meetings of the Presidents of the five Central American countries with President Fidel Sanchez Hernandez of El Salvador acting as host. The presence of the United States President was considered of great value in strengthening the bonds of the Central American Common Market, of which Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua are members. Mr. Johnson announced the authorization of a new loan for $65,000,000 of which $30,000,000 will be allocated to the Central American Bank for Economic Integration and $35,000,000 to the five Central American countries, of which $1,900,000 will go to El Salvador's educational TV project, established to help reduce illiteracy.

In 1968 El Salvador held another in its series of highly successful trade fairs, which every two years bring trade representatives from many nations to view agricultural, industrial and cultural exhibits.

The Gross National Product in 1968 rose more than 5% over 1967.

While coffee, sugar and cotton are the major resources, the Government is conducting a development program for industries processing agricultural products and manufacturing light consumer goods.

During 1968 loans were secured for enlarging the port facilities at Acajutla, the best equipped of any port between southern U.S. Pacific ports and Panama. Greater attention is being given to the promotion of tourism, capitalizing on the fine beaches and scenic countryside.

Characteristic of the efforts to advance commercial enterprise is the construction, started in December 1968, of a new business complex in San Salvador. It will furnish space for a large supermarket, 54 small stores, coffee shops, restaurants, motion picture houses and offices.

Inter-member trade on the Central American Common Market continued to flourish, and several new forms of joint action were started during 1968. Among these was the formation of a Central American coffee organization to deal with marketing and other common problems. Financing has been obtained for setting up a telecommunications network to link the five Central American countries and, eventually, to form part of the Inter-American communications network.

Barbados

Barbados, an island in the Caribbean off the northeast coast of Venezuela, bases its economy principally on the sugar and tourist industries. Small scale manufacture of many commodities for export is expanding encouragingly.

Barbados' second year as an independent nation, 1968, was a year of increasing prosperity with material expansion of the country's economy. External relations with neighbouring Western Hemisphere nations were widened by more direct involvement with the Organization of American States. The Secretary General of OAS visited the island for discussions with Prime Minister Errol Barrow, and it was later announced that the Organization intends to open a regional office in the near future. The Prime Minister also paid an official visit to Washington to consolidate friendly relations with the United States.

External trade was greatly stimulated by the establishment and implementation of the Caribbean Free Trade Area Association (CARIFTA). Initially proposed by the Prime Minister of Barbados, it now embraces all the Commonwealth Caribbean Territories, including the bauxite and oil producing countries of Jamaica, Guyana and Trinidad.

Barbados has been proposed as the most suitable site for the location of the Caribbean Development Bank. This decision now awaits ratification by the participating countries. The initial capital of the Bank is contemplated at $25,000,000, to be contributed by the United States, Canada, the United Kingdom and the Caribbean countries.

Increased economic activity within the island has resulted largely from the booming tourist industry. The total number of tourists in 1968 was up 20% over 1967. In addition to direct revenue received from tourist spending, large amounts of capital have been invested in the construction of new hotels and sea front apartment buildings.

The sugar industry gained important strength from the renewal of the Commonwealth Sugar Agreement. Further stability was provided by a new International Sugar Agreement on production quotas and an increased price base, which have already improved the free market price for sugar.

The Government continued to initiate and expand educational and commercial programs. A hotel school, established in 1965, supplies staff for the expanding tourist centers. Also, in conjunction with local garment manufacturers, the Government is establishing a school to train Barbadians in this growing industry. At present, 16 garment manufacturers employ some 1,800 Barbadians. Other training programs to develop skills in agriculture are being planned.

Passengers from a cruise ship are among the 100,000 visitors who brought tourist dollars to Barbados in 1968.

Our People Serving Their People in Four Growth Economies

They're not all the same. They come from different countries, with differing backgrounds. But the people who help Canadian International's operating companies to bring the electric service to Venezuela, Bolivia, El Salvador and Barbados have two things in common: they like their jobs, and they do them well.

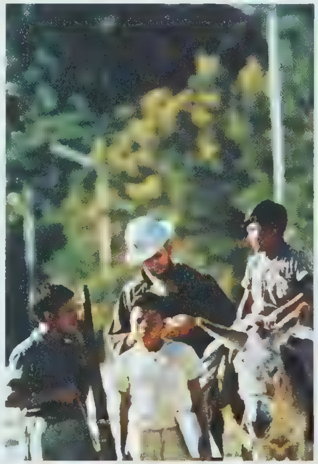
In 1967 International Research Associates, an independent survey organization, made a comprehensive check on public reaction to the Companies' service in all four countries. In each country, public opinion of service was outstandingly favourable, and the employees called their company a good one to work for.

This stems from two facts: the ability of the companies successfully to train the countries' nationals in a complex and demanding business, and the ability of these alert, earnest people to profit by such training. The companies, with the exception of a few top management jobs, are staffed with local people. There is a very low turn-over. Many men have been with their company up to 45 years.

Training ranges from on-the-job instruction all the way to advanced technical education. Workers are repaid for further schooling at the successful conclusion of an instruction course. Financial aid for text books and other instructional material is supplied by the company. Considerable effort is applied to developing facility with modern mechanical equipment and modern electrical practices, with special stress on safety. Particularly promising staff employees are given the opportunity to take advanced engineering courses, either in their countries, the U.S. or Canada.

The company supplies sports equipment and facilities. The Venezuela companies have social and sports clubs, and plans for an extension of these






in the other countries are now in progress. Modern medical services are available to employees. The Bolivia Company has a staff of company doctors and because of the remoteness of Bolivia generating plants in two locations, one for La Paz and the other for Oruro, a general practitioner is stationed in each area. The Bolivia Company operates two rural school systems in these locations. Financial aid for school supplies for employees' children is furnished where necessary.

These are but a few highlights of a continuously expanding program which tailors the employee relations methods developed by the most advanced U.S. and Canadian companies to the particular character of the individual country and its people. As was stated in the Shareholders' Letter, this program reflects the policy of Canadian International Power, as a public utility company, to live up to its obligations to its own people and the people they serve.

The photographs on these pages explain, better than words, the kind of people who are on the job for Canadian International Power — from the service trucks in Maracaibo, to the hydro-electric plants of Bolivia's Zongo Valley, from the remote countryside of El Salvador to tourist-busy Barbados. Their company is proud of them.

Power for the Future

These Venezuela youngsters represent a very important power structure. For they and children like them in Bolivia and El Salvador and Barbados will energize the future of these developing nations.

Canadian International Power companies make a continuous effort to supply help to educational establishments. This help ranges from the school systems, operated by the Bolivia Company in the remote generating locations, to higher education grants for promising high school graduates in the urban areas. Working with a group of educators, the Venezuela companies select engineering-oriented students and furnish them with scholarships. Several such students have made successful records at McGill University and the Central University of Venezuela at Caracas.

In all of its "human relations" programs in the operating countries, Canadian International Power works in close association with the Council for Latin America and the Canadian Inter-American Association. The objectives of these organizations are better understanding by business of the needs and aspirations of the developing countries of the Western Hemisphere.

The four countries in which Canadian International Power operates, differ in their material resources. Yet, they all share the same strength in human resources. It is these human resources which will power their highly promising future.

Canadian International Power Company Limited

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*Morley G. Taylor, *Montreal*
President, Canadian International Power Company Limited

*Members of the Executive Committee.

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H. Robert Mullan, *Assistant Secretary-Treasurer*

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55 Wall Street, New York, N.Y.

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Montreal Trust Company

The Chase Manhattan Bank
1 Chase Manhattan Plaza, New York, N.Y.

Canadian International Power Company Limited

Executive of Hemisphere Management Services Limited

Morley G. Taylor (1927), *President*
Frederic J. Ahern (1951), *Vice-President*
John Kazakoff (1938), *Vice-President*
Lawrence M. Howe (1941), *Vice-President*
Eric H. Campbell (1936), *Secretary-Treasurer*
H. Robert Mullan (1949), *Assistant Secretary-Treasurer*
G. Bruce Fairgrieve (1946), *Operations Co-ordinator*
Bruce F. Junkin (1947), *Operations Co-ordinator*
H. W. Darryle Armstrong (1952), *Rates and Valuation Co-ordinator*
Franklin P. Krug (1955), *Personnel Co-ordinator*
Henning J. Porsaa (1957), *Budget Co-ordinator*
C. D. G. Pearson (1960), *Public Relations Co-ordinator*
Alan B. Creaghan (1965), *Legal Co-ordinator*

Executive of Operating Companies

Barbados: John H. Nelson (1955), *General Manager*
Bolivia: David C. Mitchell (1953), *General Manager*
El Salvador: Manuel Cano G. (1936), *General Manager*
Venezuela: Alexander E. Wilcox (1950), *President, Operating Companies, General Manager, Maracaibo;*
Jean Van Tongelen (1964), *General Manager, Barquisimeto*

(Dates indicate year of first employment with associated companies)

Engineering Consultants

Montreal Engineering Company Limited

Auditors

Arthur Young, Clarkson, Gordon & Company

Financial
and Management
Headquarters of

Canadian International Power Company Limited

Investment and
operating areas
of subsidiaries
in Central America,
South America,
Barbados
and Mexico

Reddy Kilowatt

Symbol of Private Power for Public Good in Four Growth countries

Main Offices, Barquisimeto Company